

HF 1692(Pelowski) – Omnibus Higher Education Finance Bill

4/25/13

House
DFL
Caucus

During the past decade of budget deficits, higher education has continually been put on the chopping block. As a result, tuition and student debt have skyrocketed, pricing many students of a quality higher education.

HF 1692 reflects one of the House DFL's top priorities for this session: investing in our future with a world-class education system. The bill would provide a \$150 million funding increase for higher education, the first funding increase in eight years. The bill directs those resources primarily in two ways: tuition relief and reducing student debt. HF 1692 would freeze in-state tuition at the University of Minnesota and MnSCU system for the next two years.

The bill also includes new reforms to expand the oversight function of the legislature. This session, State Rep. Pelowski, chair of the House Higher Education committee, held fourteen hearings on the oversight needed. His committee looked at the dramatic increase in student tuition, fees, and debt over the past six years, examined student-to-faculty ratios, and scrutinized administrative costs and trends over the past decade. The product of that work can be seen in new reforms that were drafted in consultation with the Office of Legislative Auditor to expand the oversight function of the legislature to better hold the U of M and MnSCU accountable for the money they are spending. Both institutions will now be required to include the following information with their biennial budget requests moving forward:

- A five-year history of system wide expenditures.
- A five-year history of each system's total instructional expenditures per Full-Year Equivalent (FYE) student by level of instruction.
- A five-year history of the system's total revenues by funding source.
- A description of how State appropriations during the previous biennium were allocated

HIGHLIGHTS

- Appropriates \$2.7 billion to higher education institutions and programs for the biennium.
- Increases state spending on higher education by \$150 million for the biennium, the first increase in funding for higher education since 2008.
- \$120.6 million of the increased funding – 80 percent – is allocated to tuition relief.
- Provides \$78 million in new funding for the Minnesota State Colleges and Universities (MnSCU) system. The entire amount is appropriated for tuition relief and is accompanied by a requirement that MnSCU is prohibited from raising tuition for undergraduate students during the biennium.
- Provides an additional appropriation to the University of Minnesota of \$60.85 million for the biennium:
 - \$42.6 million for tuition relief; in exchange, the University has pledged to freeze undergraduate instate tuition rates for the biennium.
 - \$18 million for the new MnDRIVE initiative to support research and development in four emerging fields.
 - \$250,000 in additional funding for the Labor Education Service.
- Provides approximately \$11 million in additional one-time funding for the biennium to the Minnesota Office of Higher Education, which will cover the estimated revenue needed to lower the Assigned Family Responsibility (AFR) contribution for higher education paid by independent students.
- Includes new reporting requirements for the University of Minnesota and MnSCU to hold both institutions more accountable for budgeting practices and expenditures of public dollars.

HF 1692(Pelowski) – Omnibus Higher Education Finance Bill

4/25/13

House
DFL
Caucus

APPROPRIATIONS

Minnesota Office of Higher Education:

- State Grant Program appropriations of \$320.2 million for FY 2014-15.
- This appropriation includes \$11 million in new one-time funding for the biennium to reduce the Assigned Family Responsibility (AFR) for independent students:
 - For independent students without dependents, the AFR is reduced from 68% to 53%.
 - For independent students with dependents, the AFR is reduced from 86% to 80%.

Minnesota State Colleges and Universities:

- Total appropriations of just under \$1.2 billion for the biennium.
- This includes \$78 million in new funding specifically for tuition relief: \$25.5 million in FY2014 and \$52.5 million in FY2015.
- This appropriation carries a requirement that the MnSCU Board of Trustees may not increase tuition rates for any undergraduate degree-granting programs during the next two school years. It further specifies that MnSCU may not offset the student tuition relief by increasing mandatory fees or other charges to students.
- This restriction raised the ire of MnSCU administrators during public testimony on the bill in the Higher Education Committee, with concern raised that this unfairly “ties [MnSCU’s] hands” and provides less than is needed to cover inflationary costs.

University of Minnesota:

- Total appropriations of just over \$1 billion for the biennium.
- This includes \$60.6 million in new funding added to the base.
 - \$42.6 million is provided for tuition relief for undergraduate resident students.
 - \$18 million for the biennium to support MnDRIVE – the **Minnesota Discovery, Research and InnoVation Economy** initiative. MnDRIVE will focus on research and development (R & D) activities in four emerging fields: securing the global food supply; brain research; advancing industry in the context of conserving environmental resources; and supporting robotics, sensors and advanced manufacturing.
 - The \$18 million MnDRIVE appropriation is half of the University’s request of \$36 million to launch the initiative.
- The MMB Commissioner is prohibited from releasing any funds until the U of M Board of Regents certifies that it has set tuition rates at no greater the rate charged during the 2012-2013 academic year, and that this tuition relief will not be offset by increases to any fees or charges assessed to students.
- The other change item is a \$125,000 per year increase for the Labor Education Service, based at the University’s Carlson School of Management.

Mayo Clinic:

- No changes to the base biennial appropriation of \$2.7 million for the Mayo Medical School and the Family Practice and Graduate Residency Program.

HF 1692(Pelowski) – Omnibus Higher Education Finance Bill

4/25/13

House
DFL
Caucus

HIGHER EDUCATION POLICY

Section 1: New Reporting Requirements for MnSCU and University of Minnesota

Chair Pelowski worked with the Office of the Legislative Auditor to develop language for this section. The new language requires both institutions to include the following information with their biennial budget requests, including:

- A five-year history of system-wide expenditures.
- A five-year history of each system's total instructional expenditures per Full-Year Equivalent (FYE) student by level of instruction.
- A five-year history of the system's total revenues by funding source.
- A description of how State appropriations during the previous biennium were allocated.

Both institutions are required to continue reporting on various other financial and operations aspects of their budgets and programs as presently outlined in state statute.

Sections 2-19, 24 and 25. Various policy updates and changes drawn from the Office of Higher Education Policy Bill (HF 983 – Lien):

- Sections 3 through 13 pertain to the process for how OHE terminates a postsecondary institution's eligibility to participate in state student aid programs and process for responding to reinstatement requests.
- Sections 14 and 15 make modest changes to eligibility and award amounts for the child care grant program.
- Sections 19 and 24 specify that schools providing exclusively free training or instructional programs (also known as such as Massive Open Online Courses "MOOCs") are exempt from OHE licensure and registration requirements.

Section 20: Collaborative electronic infrastructure to support academic and workforce success. Directs the Office of Higher Education and various other state agencies to join with the University of Minnesota and MnSCU to implement collaborative electronic infrastructure. The infrastructure should first utilize existing assets such as efolioMinnesota and GPS LifePlan.

Sections 21 and 22: New contract requirements for MnSCU and the University of Minnesota:

- A new requirement that MnSCU contracts may not include any provisions authorizing or providing for discretionary or performance bonus payments.
- A new requirement that direct appropriations to the University of Minnesota may not be used to pay for mandatory or discretionary bonus payments for administrators.

Section 23: Establishes the MnDRIVE program; outlines program goals and scope; and specifies reporting requirements. MnDRIVE will focus on research and development activities in four emerging fields: securing the global food supply; brain research; advancing industry in the context of conserving environmental resources; and supporting robotics, sensors and advanced manufacturing.